

DRAFT – NOT APPROVED BY GAMING POLICY BOARD

DIVISION OF SPECIAL REVENUE

Gaming Policy Board Minutes

October 16, 2008

555 Russell Road
Newington, CT

Members: William F. Farrell, Chairman; Richard Antonetti; Edward F. Osswalt;
Gayle A. Russell.

Absent: Paul Pendergast.

Staff: Paul A. Young, Executive Director; Suzanne J. Alix; Paul D. Bernstein;
Donald R. Kleber; Anne Stiber; Joseph Tontini; Frank Virnelli;
Viola Pietrandrea; Paul Reiman; William Ryan; Linda Lawrence;
James Schmitt.

Guests: Andrew Gaughan and Donald Barberino of Autotote Enterprises, Inc.
Joseph Palladino, student/ MBA program – University of Connecticut.

Call to Order: Chairman Farrell called the meeting to order at 10:35 a.m.

Approval of Minutes: On motion made by Mr. Antonetti, seconded by Ms. Russell and unanimously voted, it was resolved, that the Minutes of the July 24, 2008 meeting be accepted as distributed.

Time and Place of Next Meeting: The next meeting of the Gaming Policy Board will take place at 10:30 a.m. on Tuesday, December 9, 2008 at Division Headquarters in Newington.

Interim Reports

Gambling Regulation: Mr. Tontini reviewed the changes to the OTB operating hours since the Board's last meeting. He noted that there were significant changes to the last race at Saratoga that affected a number of facilities that are normally closed earlier.

Update: Off-Track betting – there were nine track approvals completed in the month of July 2008 and 12 track approvals completed in the month of August 2008.

Lottery – there were four Instant games that received preliminary approval during the month of July 2008 and three Instant games that received final approval during the month of July 2008. There were six Instant games that received preliminary approval during the month of August 2008 and three Instant games that received final approval during the month of August 2008.

With regard to the casinos, the economy and the competition from Yonkers in New York and Twin Rivers in Rhode Island are affecting both Connecticut casinos. Since the Board's last meeting Foxwoods casino has announced that it will have 700 layoffs effective October 17th. Foxwoods casino has also closed two sections of their casino from Sunday through Thursday. The hours of closure are from 11:55 p.m. to 9:00 a.m. The closure affects a total of 1,349 machines, along with a few table games.

Mohegan Sun has issued a temporary halt on its expansion plans for at least one year. The delay affects a 43 story, 1,000 rooms hotel and 1,500 square feet for a House of Games Music Hall. They were originally scheduled to open in 2010.

Mohegan Sun – in July 2008 Mohegan Sun had 49 jackpots of \$25,000 or more, one paid over \$100,000. In August 2008 Mohegan Sun had 85 jackpots of \$25,000 or more, three paid \$100,000 or more.

As of the end of July 2008, Mohegan Sun had a total of 6,080 slot machines on the floor, all of which are ticket capable. As of the end of August 2008, Mohegan Sun had a total of 6,736 slot machines, an increase in the number of slot machines due to the opening of the Casino of the Wind.

Foxwoods – In July 2008 Foxwoods had 46 jackpots of \$25,000 or more including five of \$100,000 or more. There was one car/cash award.

In August 2008, Foxwood had 40 jackpots of \$25,000 or more, five jackpots that paid over \$100,000, three car/cash awards as well as three wide area progressive hits at Foxoods.

As of the end of July 2008, Foxwoods had 8,257 slot machines on the floor. Of these, 8,219 are ticket capable. As of the end of August 2008 Foxwoods had 8,267 slot machines on the floor. Of these machines 8,241 are ticket capable and 26 are the conventional type.

Mr. Tontini reviewed the letter from Autotote Enterprises, Inc. requesting permission to relocate the Torrington simulcast OTB facility from 1703B East Main Street to 131 Water Street in Torrington. He noted a letter received from the Mayor of Torrington

authorizing the simulcasting at the facility and authorizing Sunday wagering. A resolution was adopted by the Torrington Council at the September 2, 2008 meeting. The Division recommends approval of Autotote Enterprises, Inc.'s request conditioned upon final approval by the Executive Director after a walk-through of the completed facility.

On motion made by Mr. Osswalt, seconded by Mr. Antonetti and unanimously voted, it was:

“Resolved, That Autotote Enterprises, Inc.'s request to relocate the Torrington simulcast OTB facility from 1703B East Main Street to 131 Water Street, Torrington is approved.”

Integrity Assurance: Mr. Virnelli provided the monthly reports on the financial statements that included the revenue reports, transfers to the General Fund, as well as the grants to municipalities.

Charitable Games: Mr. Bernstein provided the following update on Charitable Games activity for the July and August period. On July 23rd, correspondence was mailed to Bingo and Sealed Ticket permittees informing them that their current permits would expire as of Tuesday, September 30th. Each Bingo permittee was provided with a renewal application, which contained all information currently on file for the organization, along with a list of officers and PIN holders, and a copy of the Bingo Price Sheet and Bingo Prize Sheet. Each Sealed Ticket permittee was provided with a renewal application, which contained all information currently on file for the organization, along with a list of officers and ISP holders.

During the month of August, a steady number of renewal applications were received and processed on a daily basis. Approximately half of the total number of Bingo and Sealed Ticket permit renewals were processed and approved by the end of the month. As of this date, 174 Bingo permits and 252 Sealed Ticket permits have been approved.

A letter was sent to Sealed Ticket permittees on Monday, July 28th, to inform them of the introduction of a new \$.50 per ticket game, “Candy Store”. Each “Candy Store” ticket may feature prizes up to \$150,000, and each game packet will net an organization \$428,000.

On Friday, August 22nd, a letter was sent to the Sealed Ticket permittees, informing them of the introduction of a new \$1.00 per ticket game, “Crown and Royalty”. Each “Crown and Royalty” ticket may feature prizes up to \$400.00, and each game packet will net an organization \$1,004.00.

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During July and August, Division liaison officers inspected the conduct of 14 bazaars. It was a very positive experience. The number of bazaars had been on a decline, until this year, as many organizations never really seemed to adjust to the loss of the popular money wheel and merchandise prize wheels. The Division has worked very hard to turn things around, authorizing ten additional games of chance, including the use of bingo blower ball machines as replacements for the wheel games. The blower ball machines are used to draw numbers in certain games of chance, in place of the wheels. It is great to see that many organizations are now using the blower ball machines and other new games with success, and that the number of permitted events appears to be on the rise again.

The Governor's office and OPM approved the Division's proposed Administrative Regulations Governing Amusement And Recreational Bingo For Parent Teacher Associations. Legal Notice of the Division's Intent to Adopt such regulations was published in the Connecticut Law Journal on Tuesday, September 16th. A public hearing on the proposals will be held here in the Board Room on Tuesday, October 21st at 10:00 a.m. This new bingo was authorized pursuant to Public Act No. 08-62 which was approved by the Governor on May 12th of this year.

Charitable Games staff has brought back the Charitable Games newsletter that has been provided to municipal officials and our permittees. It contains information on our operation and activities that will be helpful to many people.

Security and Licensing: Mr. Kleber noted that the Board has received copies of the monthly reports. He continued with an update of the on-going activity within the Unit as follows:

AFIS machines and live scanning – staff continues to travel to both casinos to input new applicants, however, the new server has been installed here at the Division, which was purchased from Cogent. Representatives from Cogent and the Connecticut State Police will be here tomorrow to perform the first test runs, and hopefully within a week or two the Division will be testing the system. Once the system is up and running the casinos will be able to fingerprint an individual at their facility, transmit the fingerprints to the Division where the necessary adjustments will be made to the data, and then forward them to the Connecticut State Police and the Federal Bureau of Investigation. The Division will, in turn, receive the returned criminal history reports.

The casino licensing renewal process is underway. The renewal notices have been sent out and the Division is in the process of receiving the returns. The completion of this process will take approximately 4-5 months.

With regard to the outstanding background investigation from the Connecticut State Police, the Division has seen a significant reduction in the number of background investigation since the last Board meeting. This reduction is attributed to the working relationship with the Connecticut State Police and their efforts to reduce the numbers. At the last Board meeting it was reported that the outstanding numbers were in the range of 1,200. At present the number is in the range of 700.

On October 1, 2008 a letter was sent to all of the vendors who operate at the casinos informing them that we will no longer honor the New Jersey exemption. This does not mean that the Division will pull the New Jersey exemption, however, the Division will work with the vendors within the year to license them in the State. The Connecticut State Police is working with the Division in this matter.

Mr. Kleber continued by noting that on September 24th he traveled to the New Jersey Gaming Commission and met with their Assistant Attorney General to confirm that Connecticut could not receive data that is in their files, on vendors licensed in their state of New Jersey. It was decided that Connecticut would fax a release received from each company to the New Jersey Gaming Commission as part of our application process. Connecticut will then receive a summary of their investigation into their vendors, which will provide a starting point for Connecticut's investigation.

Regarding the terminations and layoffs at the casinos, Connecticut is seeing a reduction in the number of new applicants. Over the last eight months, the Division would have averaged somewhere between 150-200 new applicants a week. For the last one and a half weeks there was a total of 49 new applicants.

Chairman Farrell asked if the Division continues to receive the cooperation of the Connecticut State Police regarding the background investigations. Mr. Kleber said the Division has improved the channels of communication with the Connecticut State Police. He said both he and his staff communicate on a regular basis with the Connecticut State Police.

Mr. Antonetti questioned the number of emergency committals listed on the Foxwoods July 2008 report submitted by the Casino Licensing & Operations Unit of the Connecticut State Police. Mr. Kleber said he was not certain what the committals are, however, he will follow-up on this matter and report back to the Board at the December meeting.

Administrative Hearings: Mrs. Stiber noted that the Board has received the hearing reports for the month of September 2008 and said it was a typical month regarding hearings.

Mrs. Stiber also noted that she is the Ethics Liaison for the Division to the Office of State Ethics. On September 26th she attended a conference at the Legislative Office Building. The Governor attended, spoke at the conference and a very informative update was provided regarding the changes in the Ethics Laws. Mrs. Stiber said there have been a number of changes recently. One of the changes relates to state employees whereby any state employee who has been found to violate certain criminal statutes may have their pension revoked. This change is effective October 1, 2008 and is not retroactive. Mrs. Stiber also suggested that it would be beneficial to check the Ethics Commission website because it is very informative.

Mrs. Stiber concluded with the Freedom of Information report saying that four requests were received and all four were responded to in a timely fashion.

Executive Director: Executive Director Young provided the following update for the Board:

Since the last Board meeting, the economy and the budget are the main issues at hand. The September report indicates Foxwoods is down approximately 16% and Mohegan Sun is down in the neighborhood of 12%. He continued saying the Division has been meeting with the two Native American casinos and as recently as yesterday he met with the Chairmen of each Commission. They are both looking at ways of saving in several areas. The traffic is down at both organizations. The situation at the casinos comes down to the state of Connecticut as a whole. The Governor has asked agencies to do a rescission. . There is a ban on out-of-state travel and also a hiring freeze.

Executive Director Young said the Division has completed its Annual Report, which is required by law. The report is on the agency's website.

With regard to the gaming study, the study is underway and the Division is meeting with the Spectrum Group about once a month for updates. No written documents are available at this time. Spectrum Group is in the process of conducting surveys. A survey has been sent to all lottery agents, and a most recent update indicates that from approximately 3,000 lottery agents who received the survey, 300 surveys were returned. The next survey will be with the off-track betting area. Spectrum Group has already spoken with individuals at both casinos, as well as elected officials within a 20-mile radius of the casinos.

The gaming study is due at the Division by the end of January 2009. The Division's goal is to present the report to the Governor's office, the Public Safety Committee as well as at the upcoming legislative session.

Executive Director Young also stated that the Division's warehouse contract has expired. The Division has looked at several sites and will look at a few more. The relocation of the warehouse should take place some time in the spring.

Chairman Farrell asked if the sale of lottery tickets has increased with the present economic situation. Executive Director Young said an increase in sales might not be the right terminology. He said he does not think the lottery has suffered as much as some of the other industries, in that when there is a large Powerball Jackpot, sales do rise. The lottery has had success with many of their new innovative games, which has kept their sales up.

Ms. Russell asked if the estimates presented earlier are based on slight growth, is the state of Connecticut counting on slight growth in the revenue from the various areas? Executive Director Young said the budget was based on previous projections. The projections were based upon small growth in the revenue, and it is not being realized, so that contributes to the projected deficit whereby it is indicated that the revenues are down. In the state of Connecticut the big contributors to the revenues is the income tax.

The next revenue projection meeting is scheduled for November and that is when we will report back to the Governor.

Mr. Antonetti asked if the legislative proposals being submitted to this year's legislators would be available to the Board by its next meeting. Executive Director Young said he did not think anything would be available by December 9th. He said with the completion of the gaming study report, there wouldn't necessarily be the opportunity to propose new legislation in this legislative year. He also stated that possibly a subcommittee would be formed to analyze the report, and from that subcommittee report, provide feedback during the legislative session in 2010, for changes that the legislature deems appropriate.

Executive Director Young referred back to the New Jersey exemption topic saying that he does not want the Division to appear as though they are not accepting New Jersey exemptions. The issue with New Jersey is that when the process was started, New Jersey provided the Division detailed information about vendors. New Jersey law is significantly different from Connecticut law as it relates to Freedom of Information. In New Jersey, the gaming information that is collected is basically exempt from Freedom of Information; in Connecticut it is not exempt.

New Jersey feels that they are reluctant to provide us anything because information that they do not release in their state would be released in Connecticut. The Division is going to begin its own process of obtaining our own information, creating our own file, so that we may be assured that the vendors follow Connecticut laws and Connecticut rules.

Recess to Hear Appeal: At this time the Board recessed to hear the appeal of Damion Duhaney.

The Board reconvened its meeting to record the following resolution:

On motion made by Mr. Osswalt, seconded by Ms. Russell and unanimously voted, it was:

“Resolved, That the Division’s decision in the matter of Damion Duhaney be affirmed.”

Adjournment: The meeting adjourned at 11:40 a.m.

Respectfully submitted,

Suzanne J. Alix
Secretary, Gaming Policy Board